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## CHAPTER 4

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# *Learning the Right Lessons from Beijing: A Model for the Arab World?*

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### INTRODUCTION

It should not be surprising if Joshua Ramo's "new physics of development and power" hold tremendous appeal for Arab regime elites. Ramo talks of the "electric power" of the Chinese example – its demonstration of an alternative path to development which challenges not only the US-led Washington Consensus for economic liberalism laced with political democratisation, but also offers the potential to translate an economic transformation into global power projection to rival that of America itself. For the authoritarian Arab regimes, with their lack-lustre exercises in structural adjustment, patchy records of economic growth, fragile human development performance and post-colonial resentments at external interventions in regional affairs, what could be more attractive than the so-called Beijing Consensus? As Ramo himself says:

China is marking a path for other nations around the world who are trying to figure out not simply how to develop their countries, but also how to fit into the international order in a way that allows them to be truly independent, to protect their way of life and political choices in a world with a single massively powerful centre of gravity.<sup>1</sup>

For countries aspiring to comparable development, China's model has become far more than the go-global trade strategy of the 1990s. After all, adherents of the Washington Consensus have been pushing that themselves for decades. The appeal lies instead in the understanding of development as something more than unquestioning engagement with, and submission to, the dictums of global capitalism. The Chinese experience has suggested that success can come without

slavishly conforming to the socially painful and ideologically driven economic prescriptions of the global superpower and allied international financial institutions. An alternative recipe for economic development that does not require political concessions to non-regime domestic forces, while simultaneously allowing a country to reposition itself positively in relation to global configurations of power, is bound to be appealing. Add to that the possibility that one can find development solutions within local culture, rather than acquiescing to a global (and essentially alien) process of cultural homogenisation, and it is not surprising that Arab eyes are turning east for inspiration.

However, there are a number of problems with any assertion that the Chinese model either can, or should, be exported to the Arab world (or anywhere else, for that matter). For a start, critics of the Beijing Consensus point to the more problematic aspects of China's recent development, aspects that are hidden from view in Ramo's optimistic assessment, but which may yet see the country spiralling into long-term chaos and disintegration. Second, even if Ramo is right about the reasons for China's rapid growth and rise to economic power, the fundamentals in other parts of the world, and specifically in the Arab world, are very different, and the model cannot be easily superimposed on alternative political, social, cultural and economic formations. Third, the Arab world has its own political economy which suggests that, rather than seeing quick fixes in a Beijing Consensus to rival that of Washington, the solutions for the region lie closer to home. Finally, the reality of the Chinese experience, much as in the Arab world, has been that the erosion of democratic political structures – which does not necessarily mean liberal electoral processes – is ultimately proving to be an obstacle to development, even a regressive dynamic. In the long term, meaningful political reforms which provide transparency and allow populations to hold governing elites accountable are crucial to effective and sustainable economic development.

### THE BEIJING CONSENSUS UNDER SCRUTINY

Ramo argued that the Beijing Consensus amounted to three theorems:

1. The centrality of innovation and constant experimentation in development programmes;
2. Rejection of blunt instruments such as per capita GDP growth as the measures of success, in favour of sustainability and improved quality of life;
3. Self-determination and the use of economic leverage against big hegemonic forces which throw their (military) weight around against your interests.

The first of these, innovation and experimentation, has a number of dimensions. The general idea is that, for a country as large as China, with potentially so many problems, the key to sustainable economic development is a burst of momentum in certain key sectors which can then jump-start growth elsewhere. Such momentum does not come from a gradual incorporation and adaptation of technologies developed elsewhere, but rather from innovation of what Ramo calls “bleeding edge” technologies which provide qualitative advantage. This is one step beyond even the leap-frogging qualities of advanced information and communications technologies described by Edward Ayensu;<sup>2</sup> the objective is not to catchup, but to start from the front. With these key sectors pulling others in their wake, the country keeps moving, hopefully solving existing problems faster than new ones occur. For Ramo, the essential quality in innovation is *density*: communications get faster and smoother, networks are woven more tightly and effectively, and increases in output grow relative to increases in input. This approach predicates economic development on the abandonment of conventional ideas of sequential stages, suggesting instead that building high-performance hubs in certain sectors or geographical regions,<sup>3</sup> even at the cost of neglecting others, can have broader developmental dividends, spilling their advantages over into the more backwards sectors even as they surge ahead creating new opportunities and markets.

In the Chinese case, he says, this was first put to work in the agricultural sector, where small-scale liberalisation measures allowed the masses of traditional, conservative peasants to make modest improvements in output.

Chinese farmers, long considered the most backward and tradition-bound workers in the world, used limited control of their crops and an innovative two-tier price system to optimise output and even, in their spare time, build small businesses. They absorbed new technology such as better rice stocks and improved field drainage. Today Chinese farmers are among the most innovation-hungry in the world. On average, Chinese farmers completely replace their seed stock for newer, engineered seeds *every three years*. Maize farmers entirely replace their seed stock *every 33 months*.<sup>4</sup>

The lesson spread from agriculture into industry. Innovative inputs into production were demanded, rather than settling for cheaper second-best technologies that would reap rewards from the low labour costs but bring little else to the drive for export markets. The realisation also set in that the most crucial input of all was an educated labour force. Unless the skills required to handle such technologies were spread throughout the country, growth would be concentrated in the outward-looking coastal areas and would make few inroads into China's vast interior. Investments in education, both quantitative and qualitative, moved to

the heart of government planning: the more highly educated the population, the more China's demographic burden would become its greatest asset. In an ironic reversal of Mao's Cultural Revolution, education – and a willingness to be exposed to new ideas and techniques from the outside world – now became the entry requirement for personal advancement, even into government posts and officialdom.

Such reversals of long-held reliance on seniority, political credentials and defence of the status quo require a willingness to take risks, to experiment, and even to fail. This is a mindset which anticipates crisis and sees forward movement as the only option – under the unique pressures of China's massive population, the greater risk lies in doing nothing.

Beijing's second theorem, according to Ramo, is that growth per se does not equate with development. Indeed, when it is unevenly spread, it carries severe social risks. Stability, equity in distributing the benefits of growth, and effective management, are crucial components for its sustainability. This might sound obvious, but in a country the size of China it means a number of things: first, the relative value of political and civil freedoms is placed lower than that of poverty alleviation and basic well-being. Government should not be dictated by ideology, but rather by the need for sound management, the prevention of chaos and the maintenance of stability through periods of rapid change. The neo-liberal ideological prescriptiveness that views democracy and human rights as prerequisites for capitalist success is rejected for a pragmatic view in favour of balanced development of the whole population's quality of life, articulated in old socialist terminology only because, says Ramo, old China's language has not kept up with the broader pace of change.

The final theorem links China's economic weight with a new determination to exercise global strategic leverage. China's current trade surpluses have given it massive financial clout, not to mention the capacity for financing its own militarisation. Combine these strengths and China can start to manipulate the global environment to create the stability and security it needs to sustain its development project. What seems to be a rising threat for American neo-realists is, for Ramo, an inevitable and defensive strategy which nonetheless seeks to counter US hegemonic ambitions, most of all in China's own back yard. In this, China sees itself as defending the Westphalian state system against the destabilising impact of US militarist adventures and disregard for international law. The notion that democracies do not go to war has, for them, been both disproved by recent American aggressions and even reversed in so far as securing a peaceful environment requires the state to have attributes that preclude democracy, or at least place it very far down the list of priorities.

So far, so good. But this rosy portrayal of China's development path fails to mention some of the crucial failures which threaten its sustainability. For a start,

China's innovation credentials may not be all they are cracked up to be. For sure, the lag-time between innovation elsewhere and its absorption and reproduction in China has collapsed to almost nothing, but, as Thomas Friedman points out in *The World is Flat*, China's own ability to innovate is still circumscribed by insecure capital markets and the precariousness of the rule of law.<sup>5</sup> The willingness and the foundations for scientific innovation are there, but the broader and necessary environment of trust that allows innovation to become embedded in the production cycle is still weak. As illustration, one can point to the World Bank's own Worldwide Governance Indicators, where China still ranked at just 46.3 in the percentile rankings for rule of law in 2006, a small improvement on previous years but still well below other Asian states such as Singapore (95.2), Taiwan (74.8), South Korea (72.9), Malaysia (65.7) and Thailand (55.2). It is worth noting that ten Arab countries also out-perform China in this regard, including Qatar (81.4), Kuwait (74.3), Oman (72.4), the UAE (69.0), Bahrain (66.7), Jordan (62.4), Tunisia (60.5), Saudi Arabia (57.6), Egypt (53.8) and Morocco (53.3).<sup>6</sup>

Bates Gill and Yanzhong Huang go further, arguing that China emulates rather than innovates. Enterprises lack R&D facilities and "Western investors and management styles dominate China's economic achievements".<sup>7</sup> Whilst Chinese products are found en masse around the globe, how many Chinese brands can compete with the McDonald's, Microsofts and MTVs of this world? Improving the technological competitiveness of exports is insufficient: they must achieve the status of global cultural icons before China can claim to have really arrived. Kay Möller reiterates the point: whilst agreeing that the regime under Deng Xiaoping and his successors has made the importing of foreign technology a priority, the argument is made that ultimately foreign investors and governments have been reluctant to assist Chinese entrepreneurs to the point of genuine competitiveness, and that – in the absence of sufficient professional managers – the transfer and development of technology is still overly dependent on public officials and bureaucrats, who resent dependence on learning from abroad and would rather direct resources to promoting basic skills at the expense of creative thinking.<sup>8</sup>

Relatedly, the emphasis on development of human resources is more complicated than Ramo would have us believe. For a start, as Lin Chun points out, in a defence of Chinese socialism, the investment in human resources far pre-dates the era of opening up and subsequent economic success. The decades preceding the reform era witnessed substantial investment in basic needs, public education and health provision, all of which created a ready workforce when export-oriented investors took advantage of the new liberal economic regimes, but which have equally been eroded in recent years.<sup>9</sup> Lin Chun points to the recent decline in universal provision of both public health care and education,

with rural areas suffering disproportionately, to the point where what was once a contributing advantage for the Chinese economy now approximates to what Chinese environment expert Elizabeth Economy has termed “a humanitarian disaster”.<sup>10</sup> The withdrawal of universal medical provision has not been balanced with private insurance, the costs of which have risen astronomically, whilst public resources have been concentrated in medical facilities in urban areas, government departments or state-owned assets. Meanwhile, whilst the rate of entry into higher education has increased, a report by The International Forum on Globalization<sup>11</sup> argues that basic public education in rural areas has actually declined, stating that “one rural study reveals that 70 per cent of youth finished high school in 1976; but the rate dropped to less than 10 per cent by the late 1990s”.<sup>12</sup>

To add insult to injury, the relative quality of the labour force in the hey-day of economic growth did not necessarily translate into highly skilled and well-paid employment. A report highlights the phenomenon of sweatshops, the “result of intense privatisation of industry”:

Today, under the mantra of market competition, Chinese workers now have lower wages in terms of purchasing power, fewer benefits, longer work hours, increasing work-related injuries, and other associated problems. In the Pearl River and Yangtze River delta regions, where most export-oriented industrial plants are located, migrant workers routinely work 12 hours a day, 7 days a week; during the busy season a 13–15-hour day is not uncommon.<sup>13</sup>

Clearly, distribution of the benefits of development is not as equitable as suggested by the second of the theorems. But there is little doubt that there have been astonishing achievements: Ramo refers to 300 million people having been lifted out of poverty.<sup>14</sup> Wen, however, points to the figures of China’s own State Statistics Bureau (SSB), which indicate an actual increase in rural poverty and a decrease in the income of rural households in absolute terms. Whilst he acknowledges that fewer people are living in absolute poverty, he points out that the gap between them and those with the highest incomes has grown rapidly. The SSB itself claims that the richest 10 per cent of the population now earn 45 per cent of the income, whilst the poorest 10 per cent earn just 1.4 per cent of the income.<sup>15</sup> Gill and Huang report: “The inequality of income distribution is significantly higher in China than in the United States, with the Gini coefficient – an international measurement of income disparity – reaching 0.53 in 2004.”<sup>16</sup>

Whilst Ramo focused on the initial surge in output which accompanied the early privatisation of agriculture, Wen highlights the subsequent lifting of price controls which dampened farmers’ ability to continue to utilise new inputs (such

as fertilisers, pesticides and hybrid seeds), the declining provision of rural services as the government cut investment, and the massive rural–urban migration that followed. Nor was life much better in the cities. Not only are incomes and relative living standards under threat, but the shift to private and foreign industrial ownership has pulled the carpet of lifetime employment benefits from under the feet of previously state-sector workers. Even worse, international NGOs have increasingly been high-lighting the emergence of slavery, especially among child workers abducted from their homes and forced to labour in unregulated and dangerous environments.<sup>17</sup>

For Wen, it is hardly surprising that the Chinese population has become more politically agitated in recent years. He claims that “the incidence of mass protests, demonstrations and clashes with the government increased from 58,000 in 2003 to 74,000 in 2004, more than 10 times the number of a decade ago”.<sup>18</sup> If large swathes of the rural, impoverished population, or indeed the grossly exploited migrants who slave in the coastal city sweatshops for meagre wages that fail to keep up with inflation, are prepared to openly challenge government forces, then the suggestion that political freedoms and civil rights can be at least temporarily forsaken in the greater interest of equitable improvements in quality of life fails to hold water. In other words, if measurements such as GNP per capita are outmoded because they hide a multitude of micro-sins behind macroeconomic statistics, so too are the quality-based measurements of Chinese progress which focus on intent rather than sustained achievement.

Grasping the complexities of Chinese political development is a confusing business. Lin Chun argues that there has, in fact, been a massive reform of politics *within* the Party. A prolonged process of institutional change has led to a reconfiguring of the Party’s – and the nation’s – objectives towards constitutionalism and legality (not the move from socialism to raw capitalism that some analysts might suggest). The sheer size of the Party has meant that multiple factions, including democratic ones, have been able to contribute to this reformulation, whilst that same national size and diversity has meant that the Party has been the only institution capable of holding national unity in place during the period of transition. Thus, “the CCP must be treated not only as part of the problem but also as carrying with it the needed sources of a solution”.<sup>19</sup> Crucial to this analysis is acknowledgement for a start that Chinese identity is not homogeneous. The Chinese Revolution built a political culture that unified the nation through equality, solidarity, and the protective and regulatory state. This was not the same as centralisation – indeed Mao’s regime began the process of decentralisation of political authority fairly early on, leading to lively and effective local authorities. This proved a bonus in the early stages of economic opening, when local initiatives could draw energy from empowered local bureaucrats, but was to prove more problematic when those same bureaucrats began



to develop rentier or down-right corrupt characteristics. The opportunities presented to them as individuals by incoming foreign investment, and relatively loose central control, made them easy converts to capitalism's vices, even while the government attempted to promote a developmental model which retained its revolutionary emphasis on solidarity, equality and national unity. For Lin Chun, it is this contradiction – whereby individual and local bureaucrats subvert an otherwise solidaristic exercise – that accounts for political protest, rather than angst directed against the system per se. Yet, as the system itself is seen to progressively fail the larger part of its citizenry, and with the Party de facto increasingly subordinating itself to the unrestrained logic of the market, the pressures for more democratic political reform within the Party, if not at the expense of the Party, can only increase.

Lin Chun has her own axe to grind – the abandonment of the normative underpinnings of Chinese socialism – but she does have a point. The devolution of decisions regarding foreign direct investment and the possibilities for private entrepreneurs has been both an asset and, more latterly, a liability for the Chinese project. Initially, it allowed flexibility and rationality in the distribution of investment.<sup>20</sup> However, the growing opportunities for corruption have gone unstemmed by central regulation and anti-corruption campaigns, undermining both popular and investor confidence for the long term. In the World Bank Governance Indicators on Control of Corruption, China's position fell between 1998 and 2006 from a percentile ranking of 52.4 to 37.9, well below Thailand, South Korea, Malaysia, Taiwan, Hong Kong and Singapore, all of whom were in the 50th percentile or above in 2006. It also appears that the Party has become increasingly rigid in its (in)ability to respond to this threat to sustainability, thus drawing criticism towards it for the gap between rhetoric and reality. The most recent illustration of this disparity between local and central policy has come in the wake of the Wenchuan earthquake in May 2008. Although the central government was viewed as responding quickly and effectively to the earthquake itself, public anger quickly turned against local officials whose corruption and indifference in terms of their local construction policies and practices were blamed for the fragility of structures and the subsequent loss of lives. Local officials were also accused of intervening to appropriate relief supplies, either for profit or for the wealthier districts.<sup>21</sup> The government anti-corruption body, the Central Commission for Discipline Inspections, responded with promises of “quick, strict and harsh penalties”, and the pressure will now be on them, more than ever, to prove that their commitments have teeth. In this regard, it is transparency and accountability that become the immediate imperatives for political reform, not necessarily electoral democracy. The danger, and it is one that has been evident in the manner in which prime minister Wen Jiabao has been fostering his “man of the people” image post-earthquake, is

that the regime will fall back on populism to paper over the cracks. The introduction of a new labour-contract law in January 2008, which makes it harder for employers to sack under-performing employees, and the promotion of the children of Revolutionary-era Party elders to senior posts in the legislature, have been interpreted by some intellectual and media figures as merely short-term efforts to disguise the real gap between elites and masses.<sup>22</sup>

Perhaps the greatest long-term reservation that analysts have, particularly regarding the domestic consequences of China's race to development, is the environmental impact of the chemical-based farming and energy-wasteful industry that has fuelled growth. By 1998, China was home to seven of the world's ten most-polluted cities, with air pollution claiming 300,000 lives per year. With coal accounting for two-thirds of the country's energy consumption, sulphur dioxide emissions are spreading acid rain over 30 per cent of the landscape. The rapid increase in private car ownership, hailed as evidence of rising living standards, is taking its environmental toll, too, as are failures to contain sewage and industrial wastewater drainage into rivers. China is rapidly running out of "clean" land, water (one-third of Chinese people lack access to clean drinking water) and air, with life-or-death consequences and little that is convincing in its attempts to reverse the causes of the problems. In a 2007 report for the Council on Foreign Relations, Elizabeth Economy dismisses suggestions that this is no different from the industrialisation experience elsewhere in the world, arguing that "the scale and scope of pollution far outpaces what occurred in the United States and Europe" during their own industrial revolutions<sup>23</sup> and is today actually damaging the economy to the tune of about 9 per cent of its GDP.

A final major cause for concern lies in alternative thinking about China's external ambitions. Few can argue with Ramo's assertion of a new multilateralism in post-Mao China. Territorial disputes are managed increasingly through co-operative means, membership has been sought of a whole range of international institutions and organisations, China has participated substantially in UN peace-keeping operations and has become a net aid donor rather than recipient.<sup>24</sup> As Gill and Huang demonstrate, Chinese "soft power" is being wielded in ever more nuanced and considered ways, which do indeed suggest benign-ness rather than militarism. However, even Gill and Huang admit to the contradiction between this and a strident Chinese nationalism which reflects the resentments of past humiliations and gets in the way of its charm offensives in places such as Japan, South Korea and, of course, Taiwan. It is the fear of the combination of this nationalism with the growing economic and specifically *military* capabilities of China that instils the threat factor in Western and regional powers.

If Gill and Huang contest the entirely innocent underpinnings of Chinese self-assertion, Möller<sup>25</sup> disputes Ramo's theorem of leverage by suggesting that

China actually has little to offer its new multilateral friends other than free trade. It has few real strategic partnerships, and none which give it real hard-power clout or “polar” status. The new-found commitments to international order and organisation amount to little more than a defence of sovereignty and are thus not the basis for real participation in the integrationist project of other East Asian states that would be a better guarantor of long-term competitiveness and sustainability.

A final criticism of China’s external policy stems from Beijing’s apparent willingness to do business with just about anyone, including international pariahs such as Mugabe’s Zimbabwe or the Darfur-purging Sudanese regime. “Coddling dictators can antagonise democratic oppositions and may bode ill for sustaining Beijing’s influence in those countries”,<sup>26</sup> de-legitimising China as a business partner and global power: it also sends signals to its own population regarding its tolerance of authoritarianism elsewhere and, by extension, the moral bankruptcy of its own governing party. The long-term political costs of such opportunism can only be sustained by China’s economic muscle; when the latter is dented, the chickens may come home to roost.

The bottom line here is that, for the Chinese – who themselves claim that the Chinese model works for China, but not necessarily for anyone else – the successes post-1978 (when Deng reversed Mao’s ideological rejection of modernisation in favour of a pragmatic market transition)<sup>27</sup> were only possible because the fundamentals for subsequent growth had been put in place during the period from 1949, regardless of its communist and supposedly anti-market credentials. Those very successes, however, have brought a concomitant erosion of economic and political fundamentals that threatens the sustainability of the project as the ideological foundations of Chinese national unity and equitable social organisation have been progressively abandoned. The political protests against inflation and corruption which culminated in the Tiananmen Square incident in 1989 inspired the more conservative generation of Party leaders to initiate an ultimately short-lived retrenchment against the reform process, including an austerity programme which rocked the rural engine for growth. The tide could not be held back, however, and Deng was once again the catalyst when he toured the Special Economic Zones in 1992, and declared them to be the way of the future. The way was then clear to full market transition when the Party endorsed the concept of the “socialist market economy” at the Fourteenth Party Congress in September of that year. It was not until 1994, however, that exchange markets were liberalised, 1995 before the central bank was able to determine monetary policy independently of the government and 1995 that privatisation of state-owned enterprises was introduced onto the agenda. By the end of the 1990s, the central government had essentially succumbed to the market and lost the control which might otherwise have enabled it to restrain

the negative side-effects of rapid economic growth. Despite the Party's own internal reforms, the replacement of dictatorship with collective government, and the generation of a new level of factional and contestational politics within it, the regime's growing inability to ensure the material foundations of democracy (improving basic economic and social conditions)<sup>28</sup> is challenging its ability to sustain the social contract of "building socialism with Chinese characteristics".

### WHAT CAN BEIJING OFFER THE ARAB WORLD?

We might conclude, then, that China's developmental experience, Ramo's insights notwithstanding, should be considered cautiously by those states which might seek to emulate it, not least because of its evident historical specificity and path-dependency, at least thus far. But there are a number of reasons why Arab regimes are turning their eyes eastwards and stating a desire to emulate China's apparent successes. There is nothing really new in this: throughout the last twenty-five years of Washington Consensus-led structural adjustment, the claim has frequently been made by the governments of countries such as Tunisia and Egypt that this is the path to Singaporean-type export-led success. The attraction lies not only in the rapidly rising standards of living in the East Asian tiger economies, but in the proposition that ruling elites might not have to surrender political power, exercised through the combination of authoritarian political structures and an interventionist state, in order to achieve them. Indeed, was it even possible that, in some instances, authoritarian modes of government might be *necessary* in order to prevent economic reforms from being derailed by popular resistance?

At a polemical level, the Beijing Consensus appears to offer all this and more, including the prospects of international leverage and a way out of the humiliations of past colonial lives, US-led interventions and ongoing Israeli occupation of Arab lands. The suggestion of a culturally authentic path to economic and social development further offers the enticing possibility that Muslim identities and Islamist sympathies among populations can be accommodated without surrendering power or influence to Islamist political competitors. In reality, however, there are significant, even insurmountable obstacles to the simple import of the Chinese model.

### *Education and Innovation in the Arab World*

For a start, the Arab world is largely unprepared for the unrestrained pursuit of innovation. Only five years ago, the Arab Human Development Report, compiled by Arab specialists for the UNDP and the Arab Fund for Economic and Social Development, identified a string of political and cultural "blocks"

that obstruct the building of a knowledge-based society. Young Arabs, it claimed, are actually socialised away from knowledge-generation through authoritarian parenting practices, historically low levels of research and development, intellectual capital flight to the West and elsewhere, the absence of a democratic value system, censorship and the historic political exploitation of religion to denounce original thinking.<sup>29</sup> Most crucially, perhaps, the report highlights the deteriorating quality of formal education, the perpetuation of learning-by-rote and submission to established discourse. This fairly damning critique was echoed in a World Bank report on educational reform in the MENA region, tellingly entitled *The Road Not Travelled*.<sup>30</sup> Although the MENA region, much like China, made tremendous gains during the 1960s and 1970s in terms of increased and more equitable access to formal education, the report concludes that “the relationship between education and economic growth has remained weak, the divide between education and employment has not been bridged, and the quality of education continues to be disappointing”.<sup>31</sup>

The problem has not really been one of a lack of investment: over the last forty years around 5 per cent of GDP per annum and 20 per cent of government budgets have been directed towards education. (This is considerably more than the average of 2.3 to 2.4 per cent of GDP per annum invested by China since 1975, and only Malaysia surpasses it from among the other Asian “tigers”, at 5.9 per cent per annum). Such expenditure has facilitated near- universal enrolment at the primary level, with only Morocco and Yemen falling substantially short. Rates of enrolment in secondary and tertiary education have also been higher than in China, again with the exception of Morocco and Yemen, although significantly below countries such as the Republic of Korea, the Philippines and Thailand. The telling data refers to the quality of secondary education, where a test of eighth-graders in a large number of MENA, East Asian and Latin American countries found that MENA students scored significantly lower in terms of maths and science achievement than their counterparts in either of the other two regions.<sup>32</sup> Only in Tunisia and Jordan are pedagogical reforms transforming the critical skills of students and encouraging innovative thought processes appropriate to scientific inquiry. In a survey of higher education enrolment carried out between 1994 and 2003, MENA students were overwhelmingly concentrated in the arts, humanities and social sciences (63 per cent) compared to 29.3 per cent in sciences, medicine, technical and engineering subjects. By comparison, China had 32.2 per cent of its higher education students working in the arts, humanities and social sciences and 55.7 per cent working in the science and related fields. The implications for contributions of education to economic growth are significant. Moreover, despite the numbers continuing to secondary and tertiary education, many Arab countries have ongoing problems with high levels of illiteracy in adult populations, particularly among women (as high as

60.4 per cent in Morocco). Increasing private participation in the sector has been to some extent responsible: unlike China where private provision has been introduced principally at higher levels, whilst basic provision is provided by the state and ensures a basic level of equity, in the Arab countries private provision has infiltrated primary-level provision, establishing inequalities from very early on in the educational cycle. In short, despite relatively high levels of investment in human capital, and variations in the detail of provision across the region, the Arab world has failed to consolidate this into a qualitative and equitable output.

Of course, investments in human capital do not themselves generate economic growth. As well as suffering from a relatively poor quality of formal education (at least in the public sector), the report demonstrates that the distribution of labour is poor, with an overly high proportion of university graduates being employed in the public-sector in the absence of a sufficiently large, dynamic and productive private sector.

In sum, there is a crucial need for educational reform, and particularly for the MENA region because it has one of the proportionately largest and fastest-growing youth populations in the world (unlike China, which has an aging population). The challenge of adapting educational systems to provide the new mix of skills and competences required by the global economy at the scale and pace that is necessary gives real urgency to the task. A further task is the translation of such skills and competences into innovation, a task made harder in the Arab world by its poor record of investment in research and development. In 2007, Albert Sasson reported for a UNESCO Forum that:

The overall spending in R&D [in the Arab world] is about 0.15 per cent of gross domestic product (GDP), compared with an average of 1.4 per cent in the world, and 2.5 per cent in Europe. This spending is provided by the public-sector to a very large extent (97 per cent).

Covering the period 1990–2000, there were about 500 scientists and engineers involved in R&D per million people in the Arab States, compared with more than 4,000 per million people in North America, 2,500 in Europe and about 700 in South and East Asia. The world average was around 1,000 per million.

By the end of the twentieth century, the number of publications – original writings and translations – per million people was around 0.05 in the Arab world, compared with an average of 0.15 worldwide and 0.6 in the industrialised countries ... the number of patents registered in the United States by Arab countries over the twenty-year period 1980–1999/2000 amounted to 171 for Saudi Arabia, 77 for Egypt, 52 for Kuwait, 32 for the United Arab Emirates, 15 for Jordan, 10 for Syria and 6 for Bahrain, compared with 16,328 for South Korea, 7,652 for Israel and 147 for Chile.<sup>33</sup>

Arguably, it is not only education that requires reform in order to generate a culture compatible with innovation. For Ramo, the key characteristic of China's recent development experience has been the sheer pace and scale of change and, since the early 1990s, the willingness of regimes to embrace change despite accompanying risks.<sup>34</sup> Proponents of exceptionalist, culturally-based arguments regarding the resistance of the Arab world to either economic or political reform often cite social conservatism deriving from either Islamic or patrimonial/neo patrimonial cultures, but medieval Islam demonstrated a profound capacity to both adapt to, and generate, change, with consequent and world-changing innovations in the sciences, medicine, manufacturing and the arts. Much as Bernard Lewis might like to brush alternative explanations aside as being merely efforts to pass the blame,<sup>35</sup> it is more likely that the experiences of colonialism, military defeat, failed attempts at post-independence self-sufficiency, and ultimately dependence and political stagnation, have left populations weary of grand promises and fragile or barely legitimate regimes reluctant to stake all on risky ventures. Instead, the preference has been for gradualist, largely risk-averse approaches to reform which do not generate the kind of change-driven momentum experienced by China, and which have proven more socially acceptable and manageable than radical reform programs.

This social conservatism is also evident in approaches to the socio-economic changes fostered by globalisation, in particular the need to move to a knowledge-based economy. As the World Bank report states:

In today's world, characterised by intense global competition, and rapid technological change, the key to prosperity is a well-educated, technically skilled workforce producing high-value-added, knowledge intensive goods and services; in addition they must be employed in enterprises that have the managerial capacity to find, adapt, and adopt modern, up-to-date technology and sell sophisticated goods and services in local and global markets.<sup>36</sup>

The Arab region was slow to respond to the information technology revolution, but the pace has quickened notably in the past five years (since the AHDR report). By 2007, ICT spend was accounting for around 4 per cent of GDP (compared with 8 per cent in the developed countries)<sup>37</sup> and 17.3 per cent of the region's population were Internet connected.<sup>38</sup> More revealingly, Internet usage had grown by 920.2 per cent (compared with 221.5 per cent in Europe, 117.2 per cent in North America and 540.7 per cent in Latin America) during the period from 2000 to 2007.<sup>39</sup> Internet usage is of course differential across the region, with penetration varying from 42.9 per cent of the population in the UAE to just 1.3 per cent in Yemen, and broadband remains limited, with 7 per cent of households due to be connected in the UAE by 2010, 3 per cent

in Saudi Arabia and just 1 per cent in Egypt.

When it comes to telecommunications, the picture is mixed: leisure-based and low-quantity data transfer technologies such as GSM telephones have taken off at an exponential pace. Privatisation in this sector has allowed the emergence of private telecom companies, operating in increasingly tight competition, which are expanding their reach beyond their own region and becoming global players.<sup>40</sup> (Equally, Arab satellite television is becoming a global and multi-lingual product (although without al-Jazeera this would be a less notable phenomenon). However, fixed-line penetration remains relatively low and strategic sectors remain largely the domain of protective regimes and their public sectors. Here, investment and expansion is much slower.

Undoubtedly, Arab governments and private sectors are rising to the ICT challenge, although at varying rates and with different strategies. Jordan and Egypt are focusing educational expenditures on developing a (probably migrant) labour force that can service the technology requirements of the region. Tunisian companies are “Arabising” software and developing new versions for local use. Gulf telecoms markets are engaging with the most recent technological innovations in order to expand their operations globally.

The problem remains, however, that – as Ramo argued – emulation must be surpassed by innovation. If China has made some inroads into this although (according to its critics, not as much as Ramo claims) the Arab world lags well behind. Low expenditures on R&D are compounded by political and cultural resistance to critical and innovative thinking. For example, the Arab state has retained its censorial role, despite the capacity of new technologies to transcend the borders of sovereign nation states. Interestingly, the Arabic Network for Human Rights Information conducted a survey of Internet usage in eleven Arab countries in 2004 and concluded that government policies were largely to blame for the relatively low usage compared to other parts of the world, the only exceptions being Jordan, the UAE and Qatar.<sup>41</sup> Direct modes of censorship have at times been replaced with indirect modes – controlled licensing of Internet service providers, installing filtering mechanisms, co-optation of interested private-sector elites, and recruiting public support in defence of “public morals” or local tradition. They have also been more direct: arbitrary harassment, arresting and imprisonment of Internet users and journalists, the criminalising of public criticism, and the introduction in 2008 of a new Arab Media Charter, which commits the Arab regimes to respecting one another’s rights to restrain free media expression.<sup>42</sup>

Arab publics have also shown a resistance to some aspects of the new technologies. Mamoun Fandy has argued that historical experience leads Arabs to place greater trust in oral and unofficial transmissions than formal, public ones. The availability of new information and modes of communicating it does not



necessarily translate into trust in such technologies, or a willingness to engage with them.<sup>43</sup> Similarly, there has been evidence of culturally- and religiously-based reservations about the availability of information which the technologies make possible, particularly those which offend certain Muslim sensibilities. This cultural defensiveness, which stems from combinations of colonial history (and legacies), stagnated development, and more recently the need to respond to the implications of the US-led war on terror, is profoundly at odds with the cultural confidence of the Chinese approach to their own development experience, which is that globalisation can be shaped to, and by, embedded Chinese cultural affiliations.

Innovation requires that risk-taking be a social, not merely governmental attribute: in the Arab world, neither are prominent attributes. Those regimes that have pursued even moderately risky strategies (Tunisia's committed approach to quality-enhanced export-driven growth or Dubai's "build-it-and-they'll-come" program) have reaped the rewards of their efforts; but for the most part, and including so-called "radical" regimes such as Syria, governments have proven to be risk-averse and conservative in their policies towards development. Likewise, the Arab private sector (with the possible exception of telecommunications, financial services and property development, largely based in the Gulf) has proven to be lacking in the entrepreneurial flair needed to drive innovative ventures, and this despite the efforts of organisations such as the World Bank to stimulate the adventurous spirit through initiatives such as the Private Enterprise Partnership.<sup>44</sup>

In sum, China and the Arab world demonstrated a shared history of improving access to, and quantity of, education in the pre-economic reform era. Whilst China has built upon this through careful incorporation of private provision at higher levels, a concentration of spending in hubs of educational excellence, increased spending on R&D and a refocusing on scientific development, the Arab world has less successfully opened the whole sector to private provision with fewer favourable results, has failed to generate an emphasis on either science or excellence, and has witnessed an overall diminishment in quality of provision. Some states have fared better than others (Tunisia, for example, has invested heavily in expanding vocational provision, while the Gulf Arab countries have welcomed overseas university provision to the domestic market), but political and cultural constraints remain, which impede them from embracing the educational aspects of globalisation that would enable them to collectively overcome these weaknesses. Moreover, the scale of the problem, given the demographic youth bulge, makes the task of reforming education and creating an innovation-friendly environment all the more daunting. If the Arab world wishes to emulate Chinese success, it must first address issues of educational reform, as well as embracing the cultural and political aspects of innovation and

risk-taking. It may equally learn from the Chinese experience that technological emulation is insufficient to sustain development, and that long-term progress requires the qualitative leap to innovative practice that can only happen when the right social and political foundations are in place.

*The Primacy of Living Standards and Equality over Democracy*

The second theorem of Chinese development, according to Ramo, was the enhancement of living standards and equity, albeit at the cost of democratic reform. There is no shortage of evidence regarding the absence of democracy in the Arab world, or the superficiality and political opportunism that have characterised political reform programs. We may leave aside here discussion as to whether liberal democracy is a culturally appropriate political format for Arab or Muslim countries, or the degree to which the procedural changes that have been wrought in many Arab countries over the last two decades constitute anything more than a façade of liberalisation. Let us accept the weight of the evidence that Arab regimes are, to a greater or lesser extent, essentially autocratic or authoritarian. The question, really, is whether this authoritarianism can be justified on the basis that it can in some way facilitate enhanced living standards and social equality? Arab leaders such as Zine el-Abidine Ben Ali of Tunisia, Hosni Mubarak of Egypt or King Abdullah of Jordan might argue that, without tight regime control of the political arena, necessary economic reforms can be de-railed by vested interests such as workers' unions, Islamist opportunists or media provocateurs. Indeed, this logic has underpinned the Tunisian development experience since the political *fermeture* of the early 1990s, and to some extent, in that instance, it does hold water. The authoritarian state has been able to take a decisive interventionist and managerial role in the economy, pushing through liberalising reforms and directing resources (both public and private) towards the investment and quality upgrading that were necessary for the country to develop a competitive export-oriented economic base.<sup>45</sup> Unlike most of the Arab world, investment in Tunisia has been of a high quality, demonstrating impressive total factor productivity rates (20 per cent between 1975 and 2000 compared to negative rates in the rest of the region, excluding Egypt).<sup>46</sup> The regime has also operated a programme of carefully targeted welfare assistance to the poorest rural areas and populations, leading to an overall reduction in poverty, a controlled rate of unemployment, rising per capita incomes and a focus on environmental protection to ensure the sustainability of the agricultural and tourism sectors. The Tunisian story should be viewed as a success, not least because it has been predicated on the maintenance of political stability through a period and in a region which has experienced serious upheavals over the last two decades, most pertinent of which was the

Algerian civil war taking place next door. The cost of this stability has been the complete exclusion of political Islam from the legal arena, the co-optation and control of legitimate opposition, and a fierce clamp down on media freedom, and civil and human rights. Arguably, however, the formula has reached the end of its shelf-life. The bureaucracy has become entrenched and self-serving, and private-sector elites are closely interwoven with the ruling regime, which has itself maintained gate-keeping and rent-seeking functions that seriously inhibit the deepening of entrepreneurial freedom and undermine trust in both governance structures and the rule of law.<sup>47</sup>

The positive aspects of the Tunisian story are not general to the Arab world. One way to assess the overall standard of living is through measurements of human development, and here we are presented with a mixed story. The Arab Human Development Report of 2002<sup>48</sup> attempted to measure human development in the Arab world against other regions, concluding that:

The Arab region outperformed sub-Saharan Africa on the overall HDI and on indicators of overall health (life expectancy at birth) and educational attainment (proxied here by adult literacy). It has yet to reach the levels attained by East Asia (with or without China) and Latin America and the Caribbean for these indicators ... The relative position of the Arab region improves with respect to the per capita output indicator (PPP basis), where it outperformed the South-East Asia and Pacific region as well as South Asia and sub-Saharan Africa. The Arab region might thus be said to be richer than it is developed with respect to basic human-development indicators.<sup>49</sup>

Not surprisingly, the best performing Arab countries in terms of the Human Development Index were the oil rich monarchies of the Gulf and Libya, countries which are able to distribute the vast rents accrued from the sale of oil to their citizens in the form of health care, education, welfare provision and other subsidies. At the other end of the scale, population-heavy Egypt and Morocco, war-torn Iraq and Sudan, and impoverished Yemen fared badly on the index. Clearly, the human development components of the standard of living in Arab countries are directly related to the availability of rentier income, and the region is not building its human capital upon more profound social structures (such as the Chinese popular consensus in favour of equality of access to provision). More worryingly, the report highlights a crucial component of Arab human development, or the lack of it. It suggests that probably the single greatest obstacle to the equality of Arab citizens are the social attitudes and norms, reinforced by political structures that exclusively stress women's reproductive role and reinforce the gender-based asymmetry of unpaid care. As a consequence, more than half of Arab women are still illiterate. The region's maternal mortality rate is double that of Latin America

and the Caribbean and four times that of East Asia ... The utilisation of Arab women's capabilities through political and economic participation remains the lowest in the world in quantitative terms, as evidenced by the low share of women in parliaments, cabinets and the workforce and in the trend towards feminisation of unemployment.<sup>50</sup>

The report also analysed changing living standards more generally, arguing that, despite fluctuating growth patterns, and an overall apparently respectable regional average growth rate of around 3.3 per cent between 1975 and 1998, the reality was that high population growth rates in the region reduced this in real terms to a stagnant 0.5 per cent per annum, well below the global average of 1.3 per cent and "implying a deterioration in the average standard of living in the Arab world compared to the rest of the world".<sup>51</sup> Ironically (and partly due to fluctuating oil prices), the oil-rich countries fared relatively worst, while Egypt, Morocco, Oman, Syria, Tunisia and the Sudan did marginally better.

When it came to income distribution and poverty reduction, the report concluded that the picture was incomplete due to lack of available and trustworthy sources. Using World Bank and United Nations figures, the report concluded that the Arab world in general features less absolute poverty than most regions due to historically (post-colonial) egalitarian income distribution practices and periods of economic growth. Nonetheless, "it remains the case that one out of every five people lives on less than \$2 per day ... Poor or unavailable health care or opportunities for quality education, a degraded habitat – whether a polluted urban slum or a rural livelihood eked out on exhausted soil – scant or non-existent social safety nets: all form part of the nexus of poverty and are prevalent in Arab countries."<sup>52</sup>

Income distribution represents the positive side of the Arab coin: World Bank and United Nations statistics suggest that, the developing countries of the MENA region now have, on average, one of the most equal income distributions in the world, with an average Gini coefficient of 0.364 for the period 1995–9, and that "the average coefficient has been falling over time",<sup>53</sup> not least due to incomes from migration and remittances which disproportionately benefit those at the bottom of the economic ladder.

This picture compares favourably to China, yet the report argues that there is growing evidence of differentials across the region and of a more recent diminishing of income equality in countries such as Egypt, Iraq and Jordan. Many countries, such as Yemen and Morocco, exhibit a pronounced urban–rural divide (not dissimilar to that in China) and the realities of these income divides are to some extent masked by strong traditions of charitable, family- and religion-based social support on the one hand, and continuing government subsidies on the other. Furthermore, real unemployment rates (which rose during the era

of structural adjustment across most parts of the region) have been partially disguised by under-employment, absorption into educational programs (in the Gulf) and the export of labour.

Therefore we may say that, despite a relatively, albeit diminishing, equitable distribution of income in the Arab world, overall living standards have declined in relative terms, with a consequent impact on human development, negating the argument that authoritarianism has been necessary for equity-based rising living standards over recent decades. If anything, the report is adamant that the limits to transparency, accountability, the rule of law, and political freedoms such as that of speech, have worked ultimately to obstruct development.<sup>54</sup>

It is worth pointing out again the diversity among Arab states here. In the World Bank's Governance Indicators, the UAE, Kuwait and Tunisia score relatively much better than the other Arab states for political stability, government effectiveness, regulatory quality, rule of law and control of corruption (although Saudi Arabia and Tunisia both do poorly in the rankings for voice and accountability). They all do badly, however, relative to the developmental giants of East Asia, with the notable exception of China.

Interestingly, Tunisia and the United Arab Emirates – which might be considered regional development success stories (at least thus far) – are also relatively strong regional performers in governance matters, whilst being very definitely not progressive in terms of democratic political systems. That is not to suggest that the sustainability of their development progress is not dependent on greater improvement in these realms (as noted in the case of Tunisia above), but it does support the argument that authoritarianism *with* good governance can move an economy state along the developmental axis and that authoritarianism per se need not be an absolute hindrance to developmental progress. However, for the Arab countries, as for China, there appears to be a limit to this paradigm and, again such as China, the Arab regimes have been trying to internalise political reform within ruling corporate structures rather than opening the party system up to genuine and meaningful competition. Political reforms within ruling parties and regimes in the Arab world have been about two things: broadening coalitions to co-opt private-sector interests and installing technocrats in the place of party functionaries in order to increase the autonomy of elites to act as they choose. Although technocratic change-management teams can work to improve governance, their efforts can only be undermined by the embedded self-interest of governing coalitions and the reduced accountability of regime elites. The end result is decreased rather than increased representativeness, and diminishing legitimacy. The answer for the Arab countries, as indeed it may inevitably be for China, is to look to Singapore and South Korea, both of whom ultimately succumbed to the democratic impulse in order to consolidate their economic success.

*Foreign Policy Leverage and Militarisation*

China's ability to exercise leverage in the international arena, the third theorem identified by Ramo, is largely a function, not a determinant, of its economic success and the capacity for militarisation that buys. Even a cursory glance at the comparative indicators offered below (Table 1) suggests that the combined economic weight of the Arab states is unable to match the global positioning of China. For a start, despite the nascent development of an Arab free trade area, and the possibilities for complementarities among at least some Arab economies, the barriers to trade between Arab countries remain significant.<sup>55</sup> Given this, and the much smaller total Arab population, they are unable to represent the massive market potential of an increasingly affluent China.

Table 1. Comparative Indicators, China and the Arab Countries (Economic)

Country	Pop. (million)	GDP \$US billion	Exports fob \$US million	Imports cif
China	1,300	3,241	1,218,000	955,800
Algeria	33	102	54,740	22,335
Bahrain	1	13	11,563	8,941
Egypt	74	107	20,500	33,104
Iraq	28	5*	n/a	n/a
Jordan	5	14	4,041	9,594
Kuwait	1	81	58,638	14,350
Lebanon	4	21	2,282	9,398
Libya	6	45	36,399	13,628
Morocco	31	56	11,500	22,462
Oman	3	36	21,587	10,897
Palestine	4	4	335	2,667
Qatar	1	53	34,051	15,861
Saudi Arabia	24	349	174,635	40,342
Syria	20	30	9,302	10,535
Tunisia	10	30	11,508	14,850
UAE	4	163	142,485	97,850
Yemen	21	13	n/a	n/a
Total Arab	270	1,122	593,566	326,814

Source: Economist Intelligence Unit, *Country Profile: China Main Report*, 12 February 2008. Also country profiles: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, UAE and Yemen for 2008. Year for which the actual statistics were relevant varied for each country between 2005 and 2007.

\*Including grants

# DEVELOPMENT MODELS IN MUSLIM CONTEXTS

Table 2. Arab Trade with the US and EU, 2006

Country		Exports		Imports	
		% of total	rank	% of total	rank
Algeria	US	27.2	2	6.6	3
	EU	52.5	1	54.8	1
Bahrain	US	1.9	3	—	—
	EU	2.1	2	11	1
Egypt	US	8.7	3	7.8	2
	EU	33.9	1	23.2	1
Jordan	US	25.1	1	4.7	4
	EU	—	—	23.6	2
Kuwait	US	11.0	2	10.6	2
	EU	7.8	3	33.2	1
Lebanon	US	—	—	5.9	3
	EU	10.6	3	4.8	1
Libya	US	—	—	—	—
	EU	—	—	47.2	1
Morocco	US	1.9	4	4.5	5
	EU	73.1	1	52.3	1
Oman	US	—	—	5.2	5
	EU	1.2	3	19.2	2
Qatar	US	—	—	9.9	3
	EU	—	—	34.8	1
Saudi Arabia	US	15.1	1	14.5	2
	EU	13.1	2	31.1	1
Syria	US	—	—	—	—
	EU	40.7	1	19.6	1
Tunisia	US	—	—	2.5	5
	EU	80.1	1	69.7	1
UAE	US	—	—	6.3	4
	EU	2.6	4	24.8	1

Source: World Trade Organisations profiles, available from <http://stat.wto.org/CountryProfile/WSDBCountryPFHome.aspx?>

Nor does the Arab world offer a comparable menu of exports. Those Arab countries with significant trade surpluses only achieve that position by virtue of oil and other hydrocarbon exports. Admittedly these enable them to build up substantial foreign exchange reserves and overseas investment portfolios, but they are essentially rents dependent on a finite and unevenly distributed resource. Moreover, they generate distributive structures rather than employment-based incomes. Of course, in the past, Arab oil exporters have been able to translate this economic wealth and resource control into political leverage, but the growing number of non-OAPEC members, and increasing emphasis on energy-

source diversification, suggest that the days of effective oil boycotts are long gone, even if the Arab regimes were able to reconcile their diverse regional strategic and economic interests for long enough to construct one. In the meantime, the dependence of Arab economies on the United States and Europe as sources for their imports and, in some cases, as markets for exports continues, but is not reciprocated in any area other than oil.

China, on the other hand, has become the dominant player in global markets such as textiles, low-value-added manufactures and increasingly higher-technology electrical products. It also offers a lucrative investment market for overseas firms<sup>56</sup> and an increasingly integrated local market for their products. It is worth noting that in 2006 China became the fourth-largest export market for the United States (worth approximately \$US55.2 billion) and the second-largest source of imports (\$US 287.8 billion). China also overtook the United States as the EU's largest source of imports.<sup>57</sup> The largest slice of the United States' trade deficit lies with its dealing with China, which, despite making commitments in a 1999 WTO agreement to open its own markets more fairly to American exports, is accused of still subsidising its manufactures to a level with which American producers cannot compete. What are perceived as being predatory Chinese export practices have become the subject of calls for renewed American protectionism and boosted by fears of an over-dependence on China's purchases of American Treasury bills, to fend off recession and its energy-thirsty impact on global oil prices. In other words, the American economy (and Europe's, for that matter) is astonishingly reliant on Chinese growth, and yet equally fearful of it.

By contrast, Arab economies only present a threat to the extent that the region's principal export – oil – is a strategic resource in limited supply and, to a lesser extent, when Arab investments overseas are rather bizarrely perceived of as serving a vanguard function for militant Islam (as was the case when the US Congress effectively forced the UAE-based Dubai Portsworld to disinvest from its operations in terminals at six American ports). In short, even if the Arab states could integrate their economies into a single more powerful and co-ordinated engine for trade and investment, they would be unable to exert the kind of influence that China does, as it is out of a combination of dependence and fear among its trading partners. As individual states, the suggestion that Beijing's economy-based foreign policy leverage can be emulated becomes even more ridiculous. The economic solution for the Arab world does not lie in the defence of sovereign interests through regional or international co-operation, but in deeper regional integration, the better synchronisation of local production, markets with global systems of finance and regulation, and the diversification of production, exports and markets. Lacking the economic muscle to re-negotiate the formulations for international trade and investment, they must maximise their ability to extract what they can from existing structures.



## DEVELOPMENT MODELS IN MUSLIM CONTEXTS

Of course, China's economic muscle inspires awe, in part, because it is backed up by a massive militarisation programme. The Middle East and North Africa is one of the most militarised regions of the world, and Arab regimes spend a relatively large proportion of their GDP on their armed forces and security services, so one might expect them to derive some international clout from this. However, as Table 3 demonstrates, here, too, they are thoroughly outclassed by China. Not only does China have a vastly larger military in absolute terms than the combined militaries of the Arab world, funded by an extraordinarily large expenditure, but it also achieves more for less in terms of GDP and per capita spending.

Moreover, while Saudi Arabia's arms purchases might exceed those of China,<sup>58</sup> China has itself become one of the global top-five suppliers of arms, indicating the strength and self-sustainability of the Chinese military-industrial complex. Arab production of weaponry is heavily dependent on technology transfers from outside, on replication and emulation, and is generally of inferior quality and performance to products from industrialised countries. China, by contrast, has

Table 3. Comparative Indicators, China and the Arab World (Military), 2006

Country	Total exp \$US million	Def. exp \$US per capita	%GDP (000)	No. in armed forces
China	121,872	27	1.3	1,500
Algeria	3,096	94	2.7	187
Bahrain	532	761	3.4	11
Egypt	4,337	55	4.0	397
Iraq	n.a.	n.a.	n.a.	n.a.
Jordan	1,115	189	7.9	10
Kuwait	3,497	1,446	3.4	7
Lebanon	589	152	2.8	20
Libya	593	100	1.1	0
Morocco	2,161	65	3.8	50
Oman	3,276	1,056	9.0	4
Palestine	n.a.	n.a.	n.a.	56
Qatar	2,335	2,638	4.5	0
Saudi Arabia	29,541	1,093	8.5	16
Syria	1,739	92	5.1	108
Tunisia	435	43	1.4	12
UAE	9,482	3,643	6.7	0
Yemen	824	38	4.2	71
Total Arab	63,552	—	—	949

Source: IISS, *The Military Balance 2008*, London: Routledge, 2008. From Table 37: International Comparisons of Defence Expenditure and Military Manpower, 2004–2006.

proved itself a competent innovator and exporter. More crucially, the countries of the Arab world are tied into a complex web of security arrangements with international partners (particularly, but not exclusively, the United States) which constrain their procurement strategies, their operational environments and their regional relations. Their own region is heavily penetrated and fraught with instabilities and local conflicts, and no Arab state has a comparable status as regional hegemon to that which China enjoys. Instead, the Arab world turns its military face inwards, as it tries to balance against the regional aspirations of Iran, the disruptive influence of Israel and the occupation of Palestinian lands, and the ethnic and sectarian rifts spinning out from Iraq. Unlike China, which holds its demographic diversities in check with a unified Chinese nationalism, the Arab world is struggling to reconcile Islamic universalism and aspects of collective Arab identity with individual state sovereignty.

Thus, the Arab world is no more able to direct its militarisation towards global power projection in support of maintaining suitable (peaceful) conditions for economic growth than it is able to utilise economic muscle to fend off the predatory or hegemonic aspirations of an American superpower. Here again, the Arab countries would do better to look elsewhere for inspiration. The region urgently needs meaningful collective security arrangements that engage with, rather than exclude, potential threats to stability and sovereignty. Such arrangements might enable a gradual weaning-away from external guarantors whose interventions are essentially divisive at both regional and domestic levels. More crucially, current Arab regimes would do better to look to enhancing their own legitimacy credentials – and thus internal stability – rather than deflecting domestic unrest by sustaining regional antagonisms, with their accompanying financial and military costs.

### LESSONS FROM BEIJING

The assessment given above suggests that the recent Chinese economic experience does not present a straightforward template for development that can be easily imported into the Arab world. As well as containing its own flaws, it has been predicated on a very different set of political, economic and social structures, and is itself still in transition. It does, however, offer a number of interesting insights into what may or may not assist the Arab economies in their developmental struggles. Key requisites for making the qualitative, as well as the quantitative, leap to a globalised economy appear to be educational reform in favour of innovation and critical thinking, the embedding of an appropriately risk-friendly culture in both business and government, recognition of the need to balance equity and living standards on the one hand with growth-oriented policies on the other, and the urgent requirement for good governance,

transparency, accountability and the rule of law. Where the Chinese progression appears at risk, this is because the ruling regime has been unable to include the wider population in the benefits of forward momentum, and where political structures have not been sufficiently responsive to contradictions and tensions in economic policy, to adjust it accordingly. Hence, imbalances occur – in income, in rural–urban living standards, in provision of social welfare services, in environmental degradation, or in corruption and graft – which threaten to run the project off the rails. The same political structures have ultimately served to cap the potential for innovation and technology-led growth by resisting the full potential of free thinking, critical research and unrestrained global communication. The Chinese model shows us what Singapore and South Korea taught us ten years ago, and what the populations of the former Soviet Union came to recognise before that: economic development can only progress so far under authoritarian or undemocratic political structures. Without effective means for wider populations to have a voice in calling policy-making elites to account, vested interests hijack economic processes and divert them to particularist ends. When political structures are insufficiently responsive to the demands of populations for a broad level of social equity and a basic provision of welfare support, economic policies serve the interests of capitalist development at the expense of human development. When political structures seek to control communication and knowledge in order to enhance their own capacity to direct populations towards economic ends, then the engine for innovation is constrained. In all this, growth may be enhanced in the short to medium term, but the sustainability of the project comes into question. Thus, the key ingredient for *sustained and sustainable* economic development, which draws upon the energy and potential of the full human resources of a country, is democracy, whether liberal or otherwise.<sup>59</sup> That is not to dispute the usefulness of an interventionist state, or even a non-democratic state during certain earlier phases of development. Gordon White's comment regarding China has indeed proved equally applicable elsewhere, not least in some Arab states such as Tunisia:

... in the short to medium term there are strong arguments to suggest that a strong and coherent politico-administrative system is required to manage the process of market transition and tackle the still formidable problems posed by poverty, regional inequality and social disruption ...<sup>60</sup>

But even if one views development as an analytically separate social phenomenon from democracy (that is, that democracy is not considered to be an intimate component of a broad conception of development),<sup>61</sup> one cannot escape the logic of the latter in the advancement of the former when it comes to the project's sustainability. Democracy provides the normative and institutional coherence

that facilitates the balance between capitalist and human development.

Given their rhetorical understanding of the Chinese experience as development under authoritarianism, it is perhaps ironic that this is the best lesson that Arab regimes can learn from Beijing.

### NOTES

1. Joshua Cooper Ramo, *The Beijing Consensus*, London: The Foreign Policy Centre, 2004, p. 9.
2. Edward Ayensu, "International Management", quoted in Brian Murphy, *The World Wired Up*, London: Comedia, 1983, p. 119.
3. In the early days of opening to foreign trade and investment, the Chinese government decided that Guangdong and Fujian provinces should pursue reform "one step ahead" of other provinces, with special regulatory regimes and flexibilities not available elsewhere. Four Special Economic Zones enabled private enterprises to be concentrated in these provinces, and thus protected from broader political and ideological opposition.
4. Ramo, *The Beijing Consensus*, p. 17.
5. Thomas L. Friedman, *The World is Flat*, London: Penguin Books, 2005, pp. 319–22 and 354–6.
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27. The reform era is widely held to begin at the Third Plenum of the Eleventh Chinese Party Congress, held in December 1978, when a newly rehabilitated Deng announced in response to the ideological diehards' insistence on continuing with Mao's dogmatic policies: "It doesn't matter whether a cat is white or black so long as it catches mice."
28. Manoranjan Mohanty, "Development and Democracy: The Indian and Chinese Experience" in [http://igna.nic.in/ks\\_41030.htm](http://igna.nic.in/ks_41030.htm).
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38. Internet World Statistics, "Usage and Population Statistics" from <http://www.internetworldstats.com/stats7.html>.

39. It is admitted that these statistics need to be used with caution, as they are based on Internet subscription numbers provided by Internet service providers, rather than on actual individual users.
40. Companies such as UAE-based Etisalat, Bahrain's Batelco and Kuwaiti-based Zain (a subsidiary of MTC) are expanding their service provision in Africa and South Asia, where the challenges are very different from those in the Arab world, given lower incomes and lower potential revenues).
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45. More information on precisely how the Tunisian Government has done this can be found in Emma Murphy, "The Tunisian Mise à Niveau Programme and the Political Economy of Reform", *New Political Economy*, vol. 11, no. 4, December 2006, pp. 519–40.
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54. The World Bank, *Governance Matters 2007: Worldwide Governance Indicators, 1996–2006*, available on [http://info.worldbank.org/governance/wgi2007/sc\\_chart.asp](http://info.worldbank.org/governance/wgi2007/sc_chart.asp).
55. The Greater Arab Free Trade Area was finally implemented fully in January 2005 (the project having been agreed in 1997) and includes seventeen member states of the Arab League, including all members of the Agadir Free Trade Zone that came into existence in 2004. GAFTA is the most far-reaching trade agreement in the area (which displays a proliferation of "spaghetti" regionalism) and it has improved intra-regional trade by a yearly average of 15.1 per cent compared to an average increase in world exports of 7.9 per cent per annum. However, the Gulf countries contribute a disproportionate 70 per cent of intra-regional trade, and the region exhibits a clear dichotomy between surplus- and deficit-trading states.
56. In 2006, it was suggested that foreign invested enterprises (FIEs) produced 31.6 per

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  58. In 2006, Saudi Arabia was the leading developing nation recipient of arms deliveries, buying \$US 4,100 million-worth, compared to second-place China, which purchased \$US 2,900-worth. International Institute for Strategic Studies, *The Military Balance 2008*, London: Routledge, 2008. Table 38, p. 449.
  59. Gordon White makes a strong case for a more nuanced and geo-historically specific conceptualisation of democratic reform in China in "China: Development and Democratization", in Adrian Leftwich (ed.), *Democracy and Development*, Cambridge: Polity Press, 1996, pp. 209–29.
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